

NICOLAE MALAXA

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Malaxa is Rumanian, born of Greek ancestry. He graduated as engineer and started soon after World War I to repair railroad tracks and engines. He associated himself with the former manager of the Rumanian State Railroad and through this association gained great knowledge of the organization, bad habits and weaknesses of the Rumanian Railroad. He, therefore, succeeded in his enterprise which had started practically with nothing and was able, within very few years, to extend his repair shop and to start an assembling shop for assembling imported parts of railway engines and building new railway engines. He was assisted in a very large and effective way by the German Borsig Werke which used Malaxa's name to deliver new railway engines to Rumania by sending them in unassembled parts and selling them under the benefit of the law for the encouragement of Rumanian industries, in competition with the Resita works who were building railway engines from Rumanian iron and coal to the finish. He naturally was assisted by large credits which the German works granted him and which increased his working capital. Gradually he extended his works, starting a forging plant and then a boiler plant, manufacturing himself certain parts which he was prohibited from importing. But the more he extended his plants the more he became dependent on the delivery of raw materials and semi-finished products by the Rumanian Iron Works, especially Resita. By 1929 his factories became quite important and a severe competition for the Resita Works.

Up to that date the managers of the Resita Works had very complex difficulties with the Rumanian Government and especially with the Rumanian Railroads (R.R.). They were unable to cash large amounts due to them from the railroads and they had to grant unusually long-term credits to the Malaxa Works in an appeasement towards the Malaxa Works which fared much better with the R. R.

Malaxa was also able politically to gain influence on all of the political leaders of the different Rumanian political parties. He guessed and later on knew very well which political party would come to power, and even succeeded in having his protege appointed as the Minister of Communications and at the head of the R. R. The inferior personnel of the R. R. were naturally all either on his payroll or he secured their advancement and had

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by this time secured a very influential political and industrial position.

King Carol appointed, upon his return from exile, Puiu Dumitrescu as his private secretary. Mr. Dumitrescu became a very powerful man as nobody could approach the King, who was the ruler of Rumania, without Dumitrescu's interference, who used his position to influence the King to a great extent. Malaxa secured Dumitrescu's support entirely and succeeded with Dumitrescu's help in becoming very intimate with King Carol, improving through this his political influence.

Edgar and Max Ausnit,

In 1931 the Ausnit group, in association with British and French industrial and financial groups, bought from the collapsing Credit Anstalt in Vienna the controlling majority of the Resita works. Ausnit offered Malaxa a participation in this deal because of Malaxa's position as described above.

Malaxa accepted the offer, but knowing the transaction involved several million dollars in gold currencies, pointed out that he could, at that time, participate in a cash transaction with utmost 30,000 pounds Sterling, leaving to the Ausnits the burden of financing the whole transaction. He also demanded that he have an option to buy up to 50% of the Ausnit interests in Resita within a couple of years and to share from the beginning the management position in Resita and also demanded that the long-term credits which the Resita works were already granting him should be raised up to 150 million lei, representing an increase of several times of his cash advance in the transaction.

The transaction was concluded in September, 1931 and Malaxa was appointed as co-manager of Resita. The management of the Resita at that time was General Balif, President; Max Ausnit, Administrateur Delege; and Malaxa, Administrateur Delege. General Balif was appointed President of Resita after King Carol's return from exile in 1930 when Prince Stirbey, the former President of Resita, had to exile himself. General Balif, of French origin and a retired general in the Rumanian army, was Marshal of the Royal Court and Administrator of the Rumanian Crown Domain. He was appointed such by the former King Ferdinand and was one of the few who were taken over by King Carol and not shelved by him.

The new appointment of Malaxa in Resita increased not only very much his prestige and influence but gave him real advantage which he knew how to exploit very well.

He started to press his proteges into the higher and lower management of the Resita, regardless of their capabilities. He was busy with his own works and could not spare much time for the management of Resita. He also felt his inferiority, not knowing the organization, the industrial processes, the clientele, the selling organization, the financial problems of Resita, all of which were firm in the hands of Max Ausnit, who had thirty years experience in the same field, who knew internationally all the banking and financial linkings, who collaborated since eight years intimately with Resita and who managed single-handed Resita for the two years previous to Malaxa's appointment. Malaxa watched only very carefully the delivery of Resita supplies to his own works, especially obtaining very low prices for these deliveries, and improved very sensibly Resita's relationship with the R. R. He apparently reduced his links with the German works and his very intimate links with King Carol, Madame Lupescu, Puiu Dumitrescu first and later on his successor, Ernest Urdareanu became of public notoriety.

At that time the competition in the Rumanian armament program between the Rumanian groups and the internationally known concerns like Vickers (British already linked with Resita); Czechoslovakian group (Skoda and Sbrojovka); German, Austrian, Belgian and French groups etc. became very intense. The Resita Works were very neglected and handicapped by the Rumanian government and Malaxa tried to improve their position and was representing in this, at that time, first his own and then Resita's interests. The Rumanian government started, at that time, a passionate campaign against the Skoda works, arresting their representative, Mr. Seletzky, and trying to besmirch Mr. Iuliu Maniu, the leader of the Entantofile, Rumanian Peasant Nationalist Party, under whose leadership, when Prime Minister, a big armament contract was given to the Skoda works. It was later found out that Malaxa originated the whole campaign in the same way as he did against Max Ausnit.

When Puiu Dumitrescu was replaced by Urdareanu as secretary to the King, Malaxa got tired of keeping him on his own payroll and simply placed him on the Resita payroll. The same procedure was applied whenever he was not afraid to disclose the name of the beneficiary.

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He naturally could not subsidize, from the Resita, the Iron Guard because of Max Ausnit's presence, but he promoted all the members of the Iron Guard as his personal proteges and it was later on found out that he was not only subsidizing substantially the Iron Guard, but was also offering refuge to the Captain of the Iron Guard during the time of his prosecution until he gave himself up.

The Ausnit group found out that Vickers' support of Resita in their competition with the German works was insufficient and therefore the Ausnit group tried to obtain a synchronization between the British, Czechoslovakian and Rumanian works and finally reached an agreement between the three groups dividing the Rumanian orders 50% to the Rumanian works, part of which went to Vickers, and 50% for the Czechoslovakian works. Malaxa raised continuously new difficulties until the above arrangement was reached and made his approval of the above arrangement contingent on material advantages to be granted him by the Ausnit group. When the agreement was reached in 1936, it provided also for the sale of Vickers' interests in the Rumanian Armament Works (called Copsa-Mica) to Sbrojovka and the sale of part of Resita's shares and bonds held by Cepi to Sbrojovka. All the above mentioned shares, together with the shares controlled by the Ausnit group and Malaxa were pooled and deposited in London with the Westminster Bank.

At that time Malaxa felt that the Ausnit group was stronger and therefore he wanted to make the links between the Ausnit group and himself indissoluble and in order to obtain this he signed an arbitration agreement to follow English law, as the shares were deposited in England.

Having obtained a number equal to that of the Ausnit group in the controlling majority of Resita he still was afraid and jealous of the Ausnit group which had a much stronger grip on Resita for many other reasons that would be too long to detail here, mentioning only two, that the Ausnit group and Sbrojovka possessed also 500,000 pounds sterling mortgaged bonds issued by Resita and that these two groups would certainly always agree and oppose his influence. He, therefore, tried to increase his other industrial plants, especially with armament production and with a very important rolling mill for tubes for the oil industry and a steel works. There was another important industrial plant which had very

important links with the R. R. , called Astra. This plant belonged to Mr. Milai Shapira and he put the Resita up to buying Mr. Shapira's interests. Resita was still in financial difficulties and not in a reasonable position to finance such a huge investment. To get Mr. Shapira out of his way Malaxa promised Resita substantial financial help and participation and succeeded in having the Rumanian government, the Military Staff and last but not least the King to back him with the object of transferring the whole armament plants of Resita to the newly-built Astra plant in Brasov, that is from the southwest corner of Rumania to the center. Resita had just completed the first anti-aircraft guns, manu-factured entirely in the Resita works with Vickers of London help and licence. After Resita bought Astra, Malaxa failed completely to deliver the promised financial help and even refused to take over his part of the buy, increasing Resita's difficulties.

Malaxa knew that the Ausnit group disposed of large reserves abroad and therefore started, at that late date, to export funds abroad when such foreign funds were all monopolized by the Rumanian government. He obtained very large amounts from the Rumanian government for armaments and scrap for Resita but he retained for his personal use a large part of them. In the meantime his visible fortune in Rumania increased between 1936 and 1939 to several milliards of lei, which at that time represented more than 10 million dollars.

Noticing that the President of Resita, General Balif, was cooperating in complete agreement with Max Ausnit and that his influence in Resita's management was therefore reduced, he succeeded by several personal attacks against Balif to tire him and therefore Balif tendered his resignation in the spring of 1939 as President of Resita.

Malaxa succeeded in convincing Max Ausnit that the only man to replace Balif would be Urdareanu and against the better judgement of the whole Ausnit group, Malaxa and Max Ausnit appointed Urdareanu as Chairman of Resita. Urdareanu did become, in the meantime the most powerful man in Rumania. He was appointing and dismissing, always in the name of the King, all the cabinet ministers and was practically the ruler of Rumania.

At once they decided to annihilate the Ausnit interests not only in Resita but in Rumania; to issue new stocks of Resita and to hand them over without payment to Urdareanu, Malaxa or the King. This triumvirate made up their mind at that time to appropriate Ausnit's wealth (the summer of 1939 before the outbreak of the war), partly for themselves and partly to play it into the hands of the Nazis and to obtain in exchange the Nazi support. When Malaxa's veiled threat to Max Ausnit did not have the immediate and desired result the three turned openly against Max Ausnit and his passport was taken away. At that time Malaxa forced Max Ausnit to sign an agreement to surrender to Malaxa and to his group (King and Urdareanu) all the Resita shares deposited in London, under the most direct and heaviest threats expressed openly in the presence of many others including a French diplomat, Marcel Barde, who was acting as delegate of the Ausnit Holding Companies. When Barde arrived in London with Edgar Ausnit in September, 1939 the Westminster Bank, after legal advice, refused to deliver those shares because Max Ausnit and the Holding Company was acting under duress. The day this refusal was known in Bucharest Urdareanu and Malaxa ordered the arrest of Max Ausnit and the same day they issued a special law, following which a committee was appointed by the Minister and had the "legal" power to cancel any shares of important corporations; had the right to issue duplicates of those shares and to deliver those duplicates to anybody the committee desired.

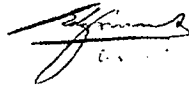
Sbrojovka as well as Skoda had in the meantime been taken over by the German Hermann Goering Werke and the Hermann Goering Werke together with Malaxa made a joint request that 400,000 Resita deposited in a blocked account in the Westminster Bank in London, should be duplicated and the duplicates turned over to them. In spite of the repeated and energetic protests of the British and French governments, Urdareanu and Malaxa arranged that this should be executed and they appointed a completely new Board of Directors of Resita with themselves, their delegates and Nazi delegates. Through this they made public their original intention to replace the British, French and Ausnit interests and influence by the Nazi in one of Rumania's financial and industrial key positions, without any sacrifice on their part, but by robbing the Ausnits. This was also confirmed by repeated German broadcasts (Lord Haw-Haw) and in all German newspapers, emphasizing that with Malaxa's

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help Ausnit (representing British interests) was put in jail and the only obstacle in the way of German-Rumanian cooperation had been cleared.

But Malaxa was looking again ahead. He had the King and Urdareanu in his pocket; he procured the circumstances to make his daughter the mistress of King Carol's son, the future King Michael. He had Max Ausnit arrested and kept as a hostage under continued direct threats, partly executed to prove their seriousness in order to obtain "legal" title to the Ausnit group fortune. He had already the Nazi blessing and support. But King Carol had to resign again and to leave the country, taking with him Urdareanu and Mme. Lupescu. At that time a new man, General Antonescu, came to power. This man was a personal enemy of Malaxa's because it was Malaxa who previously decided the King to take away General Antonescu's command and who had him even detained under "domicile force" about the same time Max Ausnit was arrested. He saw the growing power of the Rumanian Iron Guard supported later also by the Nazi occupation. He therefore decided to throw his lot in with the Rumanian Iron Guard and to deliver to them armaments and even some tanks, when the Iron Guard revolted against Antonescu. Antonescu arrested ~~Malaxa~~ and crushed the revolt of the Iron Guard. But Antonescu had to yield to German pressure and to free Malaxa. Malaxa felt he had to appease Antonescu and therefore "donated" half his fortune to the Rumanian government which did not prevent Antonescu from confiscating the second half and to place all Malaxa's factories in Nazi hands.

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